

Friedmann

EXHIBIT J

18-23538-rdd Doc 4031-3 Filed 05/24/19 Entered 05/24/19 21:16:09 Exhibit C
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SEARS

SHOP
YOUR
WAY



CRAFTSMAN

DieHard



Preliminary Draft; Subject to Material Change

Remaining Value at SHC Estate in an ESL Transaction

January 6th, 2019

tabbies®

EXHIBIT

13

SEARS HOLDINGS

Executive Summary

- We have done a preliminary review of the remaining assets left behind for the SHC estate under ESL's going concern bid, which include the following:

- Real Estate⁽¹⁾
- Unencumbered Accounts Receivable ("AR")⁽²⁾
- Cash-in-Advance ("CIA") Prepaid Inventory
- Credit Card ("CC") Tort Claim⁽³⁾

Asset	Book Value ⁽⁴⁾	Estimated Collected Value	Recovery (%)
Real Estate ⁽¹⁾	\$155	\$155	100%
Unencumbered AR ⁽²⁾	376	164	44%
CIA Prepaid Inventory	171	171	100%
CC Tort Claim ⁽³⁾	35	35	100%
Total	\$737	\$525	71%

Note: Analysis excludes \$13mm insurance payment and \$15mm from First Data.

- 1) Assumes same valuation for Book Value and Estimated Collected Value.
- 2) Net recovery of ~44% on gross notional amount of ~\$376mm. The \$376mm gross total excludes a \$(39)mm offset allowance for bad debt; bad debt allowance is 100% included in net recovery of \$164mm.
- 3) Per estimate from Lazard and initial bids received. Assumes low end of \$35-50mm valuation range.
- 4) Book value represents the estimated market value for real estate and CC tort claims.

Real Estate: Preliminary Schedule of Real Estate Excluded from ESL Bid and Estimated Valuations

Estimates are preliminary, and subject to change

- Our current gross value estimate for properties excluded from the ESL bid is approximately \$155mm
 - Excluded Real Estate with Identifiable Value
 - Our \$155M estimate is informed by assuming the lesser of (1) current high offer value, (2) JLL appraised value and (3) BOV, where available
 - 99 of 433 properties have currently identifiable value
 - \$104M (67%) of value based on first round offers
 - Upside in these values lies in a couple of larger properties where current offer is considerably below appraised value or BOV
 - Downside in these values reflects the fact that offers are indicative and not committed
 - Downside risk mitigated by diversity of pool and low average price
 - Additional Excluded Properties
 - The remaining excluded properties (approximately 330) have no assumed value
 - Generally term is too short or rental rate too high for leases to have value
 - Approximately 150 of these are leases on the 142 and 40 GOB stores

Real Estate: Preliminary Schedule of Real Estate Excluded from ESL Bid and Estimated Valuations (cont'd)

Excluded Real Estate with Value										Count		66		6		45		99	
99										Subtotal		\$103,727,447		\$69,800,000		\$63,239,755		\$154,512,202	
Count	Unit	RE ID	Name	St	Format	10K Own/IGL	Current High Offer	JLL Value	BOV	Low Value ⁽¹⁾									
1	470	47000	MANTENO	IL	Other-CDC	Owned	\$10,659,597	\$24,600,000		\$10,659,597									
2	3793	379300	Miami	FL	Kmart	Lease	\$9,000,000			\$9,000,000									
3	3699	369900	Apple Valley	CA	Kmart	Owned	\$5,900,000	\$12,500,000		\$5,900,000									
4	1075	107500	Daytona Beach	FL	FLS	Owned		\$5,900,000		\$5,900,000									
5	62538	6253800	TUSTIN	CA	UUP Sears Essentials/Grand	Lease	\$7,000,000	\$5,600,000		\$4,450,000									
6	26731	2673100	Dublin	OH	UUP SAC Freestanding	Owned				\$3,950,000									
7	2374	237400	Vineyard	NJ	UUP FLS	Owned				\$3,905,000									
8	2451	245100	Greeley	CO	UUP FLS	Owned				\$3,900,000									
9	1353	135300	De Witt/Syracuse	NY	UUP FLS	Owned	\$5,000,000			\$3,900,000									
10	3544	354400	Salem	VA	UUP Kmart	Owned	\$3,900,000	\$4,000,000		\$3,900,000									
11	30920	3092000	Chicago	IL	UUP Kmart	Owned				\$3,850,720									
12	61540	6154000	INDIANAPOLIS	IN	UUP FLS	Owned	\$3,779,040			\$3,779,040									
13	61237	6123700	HOUSTON	TX	UUP FLS	Owned	\$3,600,000			\$3,600,000									
14	30900	3090000	New Lenox	IL	UUP Kmart	Owned	\$3,400,000			\$3,400,000									
15	1150	115000	Westland	OH	UUP FLS	Owned	\$3,150,000			\$3,150,000									
16	7415	741500	Springfield	VA	Kmart	Lease	\$3,000,000			\$3,000,000									
17	1610	161000	Northgate	OH	FLS	Owned				\$3,000,000									
18	1251	125100	Lithonia	GA	UUP FLS	Owned	\$2,750,000			\$2,750,000									
19	30961	3096100	Greensboro	NC	UUP Closed - RRC/RDC	Owned	\$2,700,000			\$2,700,000									
20	1310	131000	Elyria	OH	UUP FLS	Owned	\$2,550,000			\$2,550,000									
21	6233	623300	Covina	CA	UUP SAC Freestanding	Owned	\$2,500,000			\$2,500,000									
22	7461	746100	Clarksville	TN	UUP Kmart	GL	\$2,500,000			\$2,500,000									
23	30961	3096103	GREENSBORO	NC	UUP Distribution/Warehouse	Lease	\$2,300,000			\$2,300,000									
24	1863	186300	Johnstown	PA	UUP FLS	Owned				\$2,198,628									
25	30941	3094100	Sioux Falls	SD	UUP Kmart	Owned	\$2,125,000			\$2,125,000									
26	30918	3091800	Jackson	MI	UUP Kmart	Owned	\$2,100,000			\$2,100,000									
27	26185	2618500	Clarksville	IN	UUP Kmart	Owned				\$2,087,400									
28	1755	175500	Boynton Beach	FL	FLS	Lease	\$2,000,000			\$2,000,000									
29	1475	147500	Durham	NC	FLS	Owned	\$1,916,667	\$17,200,000		\$1,916,667									
30	1370	137000	Eastland	OH	UUP FLS	Owned				\$1,900,000									
31	61510	6151000	Calumet City	IL	UUP FLS	Owned				\$1,823,660									
32	6579	657900	Spokane	WA	Freestanding	Owned	\$1,655,000			\$1,655,000									
33	30934	3093400	Memphis	TN	UUP Kmart	Owned	\$1,600,000			\$1,600,000									
34	26987	2698700	Chicago	IL	UUP Vacant Land	Owned				\$1,500,000									
35	30949	3094900	Natichez	MS	UUP Kmart	Owned				\$1,500,000									
36	4810	481000	Metairie	LA	Kmart	Lease				\$1,400,000									
37	31903	3190300	Fort Atkinson	WI	UUP Kmart	Owned	\$1,300,000			\$1,300,000									
38	3413	341300	Kent	WA	Kmart	Lease	\$1,300,000			\$1,300,000									
39	6874	687400	HOUSTON	TX	UUP SAC Detached	Owned	\$1,300,000			\$1,300,000									
40	1722	172200	Bloomington	IN	FLS	GL				\$1,269,470									
41	3256	325600	Baltimore	MD	Kmart	Lease	\$1,250,000			\$1,250,000									
42	61106	6110600	Jackson	MS	UUP FLS	Owned				\$1,200,000									
43	30957	3095700	Springdale	AR	UUP Kmart	Owned				\$1,199,000									
44	2632	263200	Fairview Hts	IL	Detached	Owned				\$1,184,580									
45	31900	3190000	Sterling	IL	UUP Kmart	Owned	\$1,100,000			\$1,100,000									
46	68235	6823500	PHOENIX	AZ	UUP Retail Warehouse	Owned	\$1,100,000			\$1,100,000									
47	9676	967600	Streetsboro	OH	UUP Kmart	Owned	\$1,099,999			\$1,099,999									
48	443	44300	WILKES BARRE	PA	RRC	Lease	\$1,000,000			\$1,000,000									
49	3527	352700	Philadelphia	PA	Kmart	Lease	\$1,000,000			\$1,000,000									

Real Estate: Preliminary Schedule of Real Estate Excluded from ESL Bid and
Estimated Valuations (cont'd)

Excluded Real Estate with Value															99	
Count	Unit	RE ID	Name	St	Format	10K Own/GL	66		6		45		99			
							Subtotal		Current High Offer	JLL Value	BOV	Low Value (1)				
50	8780	878000	Mira Loma	CA	RSC	Lease		\$103,727,447	\$69,800,000	\$63,239,765	\$164,612,202					
51	8781	878100	Chamberburg	PA	RSC	Lease										
52	1041	104100	Omaha	NE	FLS	GL		\$1,000,000	\$1,000,000		\$1,000,000					
53	4893	489300	Ellenton	FL	Kmart	Lease		\$1,000,000			\$1,000,000					
54	1514	151400	Niagara Falls	NY	UUP FLS	Owmed		\$1,000,000			\$1,000,000					
55	2940	294000	Franklin	OH	UUP FLS	Owmed		\$1,000,000			\$1,000,000					
56	26596	2659600	Memphis/Rickory	TN	UUP FLS	Owmed		\$1,000,000			\$1,000,000					
57	30901	3090100	Lansing	IL	UUP Kmart	Owmed		\$962,680			\$962,680					
58	7439	743900	Council Bluff	IA	UUP SAC Freestanding	Owmed		\$845,060			\$845,060					
59	2936	293600	Chicago	IL	Detached	GL		\$800,000			\$800,000					
60	26717	2671700	Newport News	VA	UUP SAC Freestanding	Owmed		\$750,000			\$750,000					
61	1261	126100	Midwest City	OK	UUP FLS	Owmed		\$700,000			\$700,000					
62	6784	678400	Maiteson	IL	Freestanding	Owmed		\$699,138			\$699,138					
63	26985	2698500	Chicago	IL	UUP Vacant Land	Owmed		\$665,379			\$665,379					
64	6488	648800	Mayaguez	PR	UUP Vacant Land	Owmed		\$650,000			\$650,000					
65	2332	233200	San Antonio	TX	Freestanding	Owmed		\$620,000			\$620,000					
66	2001	200100	Piqua	OH	FLS	GL		\$450,000			\$450,000					
67	7916	791603	Eureka	CA	UUP Vacant Land	Owmed		\$450,000			\$450,000					
68	7916	791604	Eureka	CA	UUP Vacant Land	Owmed		\$450,000			\$450,000					
69	1130	113000	Janesville	WI	FLS	GL		\$400,000			\$400,000					
70	30927	3092700	Macomb	IL	UUP Kmart	Owmed		\$400,000			\$400,000					
71	26588	2658800	Salem	OH	UUP FLS	Owmed		\$2,250,000			\$2,250,000					
72	3968	396800	Wasco	CA	UUP Vacant Land	Owmed		\$400,000			\$400,000					
73	9245	924500	Cheboygan	MI	UUP Kmart	Owmed		\$300,000			\$300,000					
74	1388	138800	Costa Mesa	CA	FLS	Lease		\$250,000			\$250,000					
75	6303	630300	BANGOR	ME	Retail Warehouse	Owmed		\$250,000			\$250,000					
76	4351	435100	Rochester	MN	Kmart	Lease		\$250,000			\$250,000					
77	30958	3095800	EL CENTRO	CA	UUP Vacant Land	Owmed		\$250,000			\$250,000					
78	3978	397800	Peachtree City	GA	Kmart	Lease		\$200,000			\$200,000					
79	3998	399800	Dinwidi	CA	UUP Vacant Land	Owmed		\$125,000			\$125,000					
80	4490	449000	San Juan	PR	Kmart	Lease		\$110,452			\$110,452					
81	1618	161800	Modesto	CA	FLS	Lease		\$100,000			\$100,000					
82	2298	229800	Merced	CA	FLS	Lease		\$100,000			\$100,000					
83	2323	232300	Hyannis	MA	FLS	Lease		\$100,000			\$100,000					
84	9381	938100	Huntington	NY	Kmart	Lease		\$100,000			\$100,000					
85	7471	747100	Placerville	CA	Kmart	Lease		\$100,000			\$100,000					
86	2145	214500	Port Charlotte	FL	FLS	Lease		\$79,184			\$79,184					
87	37563	3756300	Washington Courthouse	OH	UUP Vacant Land	Owmed		\$65,000			\$65,000					
88	3251	325100	Indianapolis	IN	Kmart	GL		\$53,848			\$53,848					
89	3628	362803	Tolleson	AZ	UUP Vacant Land	Owmed		\$51,600			\$51,600					
90	37914	3791400	Chicago	IL	Office	Lease		\$50,000			\$50,000					
91	3982	398203	Lemoore	CA	UUP Vacant Land	Owmed		\$25,000			\$25,000					
92	4721	472103	Coalinga	CA	UUP Vacant Land	Owmed		\$25,000			\$25,000					
93	1034	103400	Ross Park	PA	UUP FLS	Lease		\$10,000			\$10,000					
94	1134	113400	Millford	CT	FLS	Lease		\$10,000			\$10,000					
95	3589	358903	Cleveland	OH	UUP Vacant Land	Owmed		\$10,000			\$10,000					
96	2226	222600	Murfreesboro	TN	FLS	Lease		\$1,100			\$1,100					
97	7067	706700	Fort Myers	FL	UUP Kmart	Lease		\$1,000,000			\$1,000,000					
98	31930	3193003	HALEAH	FL	UUP Vacant Land	Owmed		\$1,000,000			\$1,000,000					
99	3982	398200	Lemoore	CA	Kmart	Lease		\$25,000			\$25,000					

1) Low Value assumes the lesser of current high offer, JLL appraisal value and BOV value, where available.

Other Receivables: Preliminary Schedule and Estimated Recovery Value

(\$ in millions)						
Book Entry #	Ledger Account Name	Gross Amount (\$)	Recovery (%)	Net Recovery (\$)	Description / Comments / Notes	
11482	A/P Vendor Release Post	\$52.6	50%	\$26.3	Kmart vendor receivables (net debit reclassification, i.e. a positive receivable balance after all debits netted against all credits for vendors)	
11488	Return Merchandise Receivable	56.9	50%	28.9	Sears vendor receivables (net debit reclassification, i.e. a positive receivable balance after all debits netted against all credits for vendors)	
11300	Svc Contr 3rd Party Warranties	53.6	80%	42.8	Home Warranty Sales commission due from Cross County over next 11 months	
11390	A/R CUSTOMER RECEIVABLES	41.5	50%	20.8	\$34mm Meark (paid over time for big high and construction jobs; receive money when job is complete); \$34mm home warranty (paid in installments); \$3.5mm intercompany adjustment	
11395	SHO Receivable Inv/PAY/SPP	34.7	80%	27.8	Sears HomeTown and Outlet, when items pulled out of a DC, receivable shows up, billed weekly, paid every 10 days	
11364	Wholesale A/R Receivables	22.8	50%	11.4	KCD Business receivables, over \$8mm pertains to Amazon	
11129	A/R NCCOEM	10.3	50%	5.1	National Claims Center receivables (related to Home Services)	
11300	Sears Home Improvement	8.0	50%	4.0	Sears Home Improvement - receivables related to contracts, paid over time but mostly at time of completion	
11490	A/R PA INSTALLMENT	4.8	50%	2.4	Protection agreement installment receivables, generally over 11 months	
11300	09987 SEARS ONE CARD CLEARANCE	6.3	90%	5.6	Financial services related, travel / debit card	
11300	08500 FINANCE RELATED EXP	6.8	50%	3.4	Non-CA vendors with net money due due status at Kmart	
11300	Fulfillment, SC & Sourcing	7.2	50%	3.6	UPS Rebate received by Company every year at end of January or 1st of February	
11368	CSI Receivable	0.0	50%	0.0	Vendor allowances, Kmart side only	
11333	A/R CITI OTHER RECEIVABLES	5.8	90%	5.2	Other fees / receivables with Citi	
11420	A/R WEX COMMERCIAL CREDIT	3.4	50%	1.7	Receivables related to companies that do business w/ Sears Auto	
11475	A/R - Other Companies	3.5	50%	1.8	Service Live; pending jobs that will be paid when completed	
11330	A/R NEW ACCOUNT BOUNTY	2.7	90%	2.5	Commission on new credit card accounts w/ Citi	
11331	A/R CREDIT SALES REVENUE	2.5	90%	2.2	Fees from Citi when Sears credit card is used	
11128	A/R NCCAE	2.8	50%	1.4	National Claims Center receivables (related to Home Services)	
11255	A/R - 3RD PARTY GIFT CARDS	4.8	50%	2.4	Receivables related to fees from third party gift cards (mainly Blackhawk)	
11305	A/R LICENSED BUSINESSES	1.4	50%	0.7	SHIP-related receivables, normally paid when job is complete	
11300	Parts Direct	2.3	50%	1.2	Parts Direct division related receivables	
11365	A/R - Merchandise Allowance	2.1	50%	1.0	Vendor allowances; paid by invoice versus deduction from account	
11367	A/R VENDOR ALLOWANCE - IMPORT	1.7	50%	0.8	Vendor allowances; paid by invoice versus deduction from account (for foreign vendors)	
11140	A/R - Sub-Tenants	1.9	50%	0.9	Rent from sub-tenants at Kmart and Sears locations (mostly Sears)	
11220	A/R - Coupons	1.0	50%	0.5	Paid within 21 days of coupon redemption from 3rd party coupon company (highly current as what stores don't submit is written off; netted against allowance / reserve)	
11252	A/R - Store Receivable	1.3	50%	0.7	Layaway; receivables related to payments required by customer over time before item is received	
11256	WHY NOT LEASE IT RECEIVABLE	0.6	50%	0.3	Receivable from "Why Not Lease It", which provides third party credit to store customers on items, settles within 5 days	
11131	A/R 3rd Party Retail Installat	0.6	50%	0.3	Home Services receivables	
11253	ACCURED OVERSHORTAGES	0.5	90%	0.4	Timing issue on cash counted in stores; overnight timing difference	
11170	A/R - Freight Claims	0.5	50%	0.2	COD shipments with damage where SHC pays vendor upfront and then has to later collect from carrier	
11340	A/R WU Wife Transfer Payout	0.2	90%	0.1	Western Union wires that go through treasury; settled daily	
11335	A/R - WIC	0.2	75%	0.2	Food stamps; Reimbursement from state	
11280	A/R - Loans and Advances	0.1	25%	0.0	Employee payroll advances	
11300	Service Contracts PA	0.1	25%	0.0	Service Contracts division protection agreement installments	
11250	A/R - Bad Checks	0.1	0%	-	Bounced checks; third party will chase down, netted against allowance / reserve	
NA	All Other Receivables	30.0	0%	-	Miscellaneous; includes non-receivables and other potentially not recoverable items	
11332	0% FINANCE (NETS 11330/1)	(4.6)	100%	(4.6)	Offset against Citi accounts (11330, 11331, 11333) to provide customers with 0% interest financing	
A0112	Allowance for Bad Debt	(38.6)	100%	(38.6)	Allowance for Bad Debt	
Total		\$337.3		\$164.4		

Note: Balance from Company as of 12/1/2018. Analysis excludes \$13mm insurance payment and \$15mm from First Data.

CIA Prepaid Inventory: Preliminary Schedule

Top 20 Non-Merchandise Vendors

(\$ in millions)		
Duns #	Vendor Name	Total
395280	GOOGLE INC	\$9.0
114442648	ICROSSING INC	\$2.8
706893	MICROSOFT ONLINE INC	\$1.6
1200443	HASBRO INC	\$1.3
518753	TERADATA CORPORATION	\$1.2
41707563	SUNBEAM PRODUCTS INC	\$0.9
72818347	YANG MING MARINE TRANSPORT	\$0.8
22312628	APPLICA CONSUMER PRODUCTS	\$0.6
3155454	SPRINGS GLOBAL US INC	\$0.4
1661222	CONAIR CORPORATION	\$0.4
79695521	GBG BEAUTY LLC	\$0.4
714075	INTERNATIONAL PACKAGING	\$0.3
37704855	KEURIG GREEN MOUNTAIN INC	\$0.3
916152424	TATA CONSULTANCY SERVICES	\$0.3
80211920	LSC COMMUNICATIONS US LLC	\$0.2
440768	ACXIOM	\$0.2
612757070	MOHAWK CARPET DISTRIBUTION	\$0.2
33079757	MEYER CORP	\$0.2
714531	EBATES PERFORMANCE MARKETING	\$0.2
744342	IDEAVILLAGE COM	\$0.1
NA	Other Vendors	\$2.3
Total		\$23.6

Top 20 Merchandise Vendors

(\$ in millions)		
Duns #	Vendor Name	Total
1288075	WHIRLPOOL CORPORATION	\$42.3
1163823	THE EUREKA COMPANY	\$27.1
4196515	MTD PRODUCTS INC	\$6.7
613620	SAMSUNG ELECTRONICS AMERICA	\$3.7
348334	ICON HEALTH & FITNESS INC	\$3.5
116145681	HANESBRANDS INC UNDERWEAR	\$3.0
1902212	PROCTER & GAMBLE DISTRIBUTING	\$2.3
3219367	HANESBRANDS INC SOCK	\$2.2
1029195471	HANESBRANDS INC CHAMPION	\$2.1
70094818	LG ELECTRONICS U S A INC	\$2.0
4961041	GENERAL ELECTRIC - GEA	\$1.9
9138033	CLOROX SALES CO	\$1.8
9109273	LEVI STRAUSS & CO	\$1.8
8029498	WILLIAMSON DICKIE MFG CO	\$1.7
134544	BRIGGS & STRATTON POWER	\$1.3
95443321	HUSQVARNA OUTDOOR PRODUCTS	\$1.2
38204020	SIMMONS COMPANY	\$1.2
2347102	JOHNSON & JOHNSON CONSUMER	\$1.2
83922229	ICON HEALTH & FITNESS	\$1.1
1000471433	ELLISON FIRST ASIA LLC	\$1.1
NA	Other Vendors	\$38.2
Total		\$147.4

- CIA Prepaid Inventory represents inventory purchased under cash-in-advance payment terms that SHC has not yet received. The current balance is \$171mm

Note: Balance from Company as of 1/4/2019.

CONFIDENTIAL

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Exhibit C

6 JANUARY 2019

DISCUSSION MATERIALS

Project Blue



PROJECT BLUE

The following summarizes the administrative and other priority claims that the estate needs to satisfy, sources of value available to address these claims and the incremental value required after these sources are applied (other than for settlement and release)

Admin & Other Priority Claims		Less: ESL		Additional Value Required	
Uses of Value		Value [1]		after Application of Other Sources of Value	
Admin					
503(b)(9)	\$139	\$--	\$139	Additional Value Required	
Accounts Payable	166	(125)	41	Less: ESL Proposed Cash Contribution	\$680
Severance and Employee Claims	43	--	43	Less: Company Cash	(35)
WARN	18	--	18	Less: Professional Fee Carve-out Account	(89)
Franchise Taxes	3	--	3	Less: MTN Sale Proceeds	(95)
Property Taxes	135	(100)	35	Less: SHIP Sale Proceeds	(81)
RemainCo Winddown Costs	80	--	80	Administrative Claim Backstop Requested [2]	(45)
Total Admin	\$583	(\$225)	\$358		\$335
				Required Deposit	\$120
Other					
ABL DIP	\$950	(\$850)	\$100		
Junior DIP	350	(230)	120		
Professional Fees	102	--	102		
Cure Costs	150	(150)	--		
Total Other	\$1,552	(\$1,230)	\$322		
Total	\$2,135	(\$1,455)	\$680		

Source: Mill projection of administrative and other priority claims; ESL proposal.

[1] Includes value provided by ESL via assumption of liabilities and/or debt payoff.

[2] Requested Administrative Claim Backstop does not include amounts necessary for settlement and release but is inclusive of Restructuring Subcommittee support for Court order to allow ESL to credit bid claims included in ESL bid.

